

Monthly Press Release

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FEDERAL HOUSING FINANCE BOARD REPORTS LOWER MORTGAGE INTEREST RATES

Washington, D.C. – The Federal Housing Finance Board today reported that the average interest rate on conventional 30-year, fixed-rate, mortgage loans decreased 14 basis points to 5.71 percent during March. The average interest rate on 15-year, fixed-rate loans increased 4 basis points to 5.88 percent during March. These rates pertain to mortgages closed during the March 25-31 period. Typically, the interest rate is determined 30 to 45 days before the loan is closed. Thus, the reported rates depict market conditions prevailing in mid to late February.

The contract rate on the composite of all mortgage loans (fixed- and adjustable-rate) decreased 25 basis points to 5.42 percent during March. The effective interest rate, which reflects the amortization of initial fees and charges, decreased 26 basis points to 5.47 percent. The average contract rate on fixed-rate mortgages decreased 10 basis points to 5.76 percent in March, while the average contract rate on adjustable-rate mortgages (ARMs) decreased 28 basis points to 4.66 percent.

Initial fees and charges were 0.37 percent of the loan balance in March, down from 0.39 percent in February. Sixty-three percent of the purchase-money mortgage loans originated in March were "no-point" mortgages, up from 58 percent in February. The average term was 27.1 years in March, unchanged from February. The average loan-to-price ratio in March was 72.3 percent, down from 72.4 percent in February. The average loan amount increased by \$1,900 to \$170,400 in March, while the average house purchase price increased by \$2,600 to \$250,600.

The National Average Contract Mortgage Rate for the Purchase of Previously Occupied Homes by Combined Lenders, a popular ARM index, was 5.43 percent based on loans closed in March. This is a decrease of 0.26 percent from the previous month.

With this release, the Finance board is implementing the new metropolitan area definitions issued by the Office of Management and Budget on June 6, 2003. For 2004, the Metropolitan areas in Table IV are Census 2000 Metropolitan areas. They are not identical to the areas used in 2003, and the 2004 and 2003 data are not completely compatible. Information for periods before 2004 use the previous metropolitan area definitions.

Recorded information on this index is available by calling (202) 408-2940. The April index value will be announced on May 28, 2004.

The Federal Housing Finance Board maintains telephone lines that give recorded information on the current value of many of the interest rates reported in this release. That phone number is (202) 408-2624. This recording will be next updated on May 28, 2004.

Technical note: The data is based on a monthly survey of major lenders that are asked to report the terms and conditions on all conventional, single-family, fully amortized, purchase-money loans closed the last five working days of the month. The data thus excludes FHA-insured and VA-guaranteed mortgages, refinancing loans, and balloon loans. This month's data is based on 21,203 reported loans from 82 lenders, representing savings associations, mortgage companies, commercial banks, and mutual savings banks. The effective interest rate includes the amortization of initial fees and charges over a 10-year period, which is the historical assumption of the average life of a mortgage loan. The data is weighted to reflect the shares of mortgage lending by lender size and lender type as reported in the latest release of the Federal Reserve Board's Home Mortgage Disclosure Act data.